

Message Text

PAGE 01 NATO 04281 01 OF 02 071536Z

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ACTION EUR-25

INFO OCT-01 ISO-00 IO-14 EB-11 CIAE-00 PM-07 INR-11 L-03

ACDA-19 NSAE-00 PA-04 RSC-01 PRS-01 SP-03 USIA-15

TRSE-00 SAJ-01 OMB-01 SS-20 NSC-07 DRC-01 /145 W

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FM USMISSION NATO

TO SECSTATE WASHDC 7067

SECDEF WASHDC

INFO ALL NATO CAPITALS 4323

USNMR SHAPE

USCINEUR

USLOSACLANT

CINCLANT

UNCLAS SECTION 1 OF 2 USNATO 4281

E.O. 11652: N/A

TAGS: ECON, MCAP, NATO

SUBJECT: ECONOMIC INDICATORS OF NATIONAL DEFENSE EFFORTS

AT JUNE 14 DPC MINISTERIAL MEETING, FRG MOD LOBER OBJECTED TO USE OF PERCENT OF GNP FOR DEFENSE AS SOLE YARDSTICK TO MEASURE NATIONAL DEFENSE EFFORTS. ASYG PANSA HAS NOW CIRCULATED AN EXCHANGE OF CORRESPONDENCE BETWEEN SYG LUNS AND MOD LEBER ON THIS SUBJECT: LEBER'S LETTER TO LUNS (DATED JULY 8, 1974) FOLLOWS:

BEGIN TEXT:

AS I EXPLAINED AT THE DPC MINISTERIAL MEETING HELD IN BRUSSELS ON 14TH JUNE, THE YARDSTICK AGAINST WHICH THE MILITARY CONTRIBUTIONS MADE BY NATO MEMBERS TOWARDS OUR COLLECTIVE DEFENSE ARE REGULARLY MEASURED, DOES NOT DO JUSTICE TO THE SIZE AND VALUE OF THOSE CONTRIBUTIONS.

ANY COMPARATIVE APPRECIATION OF THE DEFENCE CONTRIBUTIONS OF THE MEMBER COUNTRIES SHOULD BE BASED PRIMARILY ON THE ACTUAL UNCLASSIFIED

PAGE 02 NATO 04281 01 OF 02 071536Z

DEFENCE EFFORT OF EACH COUNTRY. THAT EFFORT IS, HOWEVER, NOT NEARLY REFLECTED BY DEFENCE EXPENDITURE CALCULATED AT FACTOR COST, AND EXPRESSED AS A PERCENTAGE OF THE GROSS NATIONAL PRODUCT, - AS IS SHOWN BY THE EXAMPLE OF THE FEDERAL REPUBLIC

OF GERMANY WHOSE CONTRIBUTION (EXCLUDING AID TO BERLIN) UNDER THIS SYSTEM RANKS SIXTH IN THE 1974 COUNTRY COMPARISON, WHILE IN FACT SPENDING MORE ON DEFENCE THAN ANY OTHER MEMBER OF THE ALLIANCE WITH THE EXCEPTION OF THE UNITED STATES OF AMERICA. THE ACTUAL DEFENCE EFFORT OF A COUNTRY IS REFLECTED IN PARTICULAR IN PERSONNEL STRENGTH, EQUIPMENT, AND FUNDS AVAILABLE FOR THE ARMED FORCES.

I WOULD THEREFORE SUGGEST THAT IN THE FUTURE ANY COMPARATIVE PRESENTATION OF THE DEFENCE EFFORTS OF THE VARIOUS PARTNERS TO THE ALLIANCE SHOULD INCLUDE THE FOLLOWING DATA:

- TOTAL AMOUNT OF DEFENCE EXPENDITURE;
- PERSONNEL STRENGTH OF THE ARMED FORCES INCLUDING AND EXCLUDING CIVILIAN PERSONNEL;
- DEFENCE EXPENDITURE PER CAPITA, PER PERSON IN THE DEFENCE ESTABLISHMENT, AND PER SOLDIER;
- SHARE OF DEFENCE EXPENDITURE IN THE GROSS NATIONAL PRODUCT, CALCULATED AT FACTOR COST.

THESE DATA SHOULD AS FAR AS POSSIBLE BE RELATED TO THE FORCES ASSIGNED BY EACH COUNTRY TO NATO.

I WOULD BE HAPPY IF MY SUGGESTION WERE TO INITIATE A REVIEW OF THE METHODS OF COMPARISON THAT HAVE BEEN USED TO DATE, AND IF NATO DID ADOPT A YARDSTICK WHICH WOULD REFLECT THE ACTUAL DEFENCE EFFORTS OF MEMBER COUNTRIES BETTER THAN UNDER THE PRESENT SYSTEM.

END TEXT.

LUNS' REPLY TO LEBER (DATED JULY 29, 1974) FOLLOWS:

BEGIN TEXT:

THANK YOU FOR YOUR LETTER OF 8TH JULY ON THE SUBJECT OF ECONOMIC INDICATORS OF NATIONAL DEFENSE EFFORTS. IT WAS UNCLASSIFIED

PAGE 03 NATO 04281 01 OF 02 071536Z

VERY GOOD OF YOU TO TAKE THE TROUBLE TO WRITE TO ME ON THIS IMPORTANT SUBJECT. WE HAD A SHORT TALK ABOUT IT DURING MY VISIT TO BONN ON 12TH JULY, BUT I THOUGHT I SHOULD ALSO SEND YOU A CONSIDERED REPLY.

LET ME BEGIN BY SAYING THAT THE PRESENTATION GIVEN TO MINISTERS AT THEIR MEETING ON 14TH JUNE DID NOT IN ANY WAY AIM TO COMPARE THE CURRENT MILITARY CONTRIBUTIONS OF MEMBER COUNTRIES TO THE ALLIANCE ONE WITH ANOTHER. THE OBJECT WAS TO CONSIDER THE FORCE GOALS FOR EACH COUNTRY IN TURN, IN RELATION TO THE ECONOMIC RESOURCES AVAILABLE, IN ORDER TO DEMONSTRATE TO MINISTERS THAT THESE PLANNING TARGETS (AS THEY HAD EMERGED FROM DETAILED SCRUTINY IN THE MILITARY COMMITTEE AND THE DEFENCE

REVIEW COMMITTEE) WERE REALISTIC AND ACHIEVABLE.

THE PRINCIPAL STATISTICS WHICH THE ASSISTANT SECRETARY GENERAL FOR DEFENCE PLANNING AND POLICY CHOSE TO ILLUSTRATE HIS CASE WERE THE CURRENT AND FORECAST RATES OF GROWTH IN THE NATIONAL DEFENCE BUDGET AND IN THE NATIONAL ECONOMY AS A WHOLE. HE ALSO QUOTED, AS A CONVENIENT WAY OF RELATING THE TWO, THE PERCENTAGE OF GNP DEVOTED TO DEFENCE. THE COMPARISONS MADE, HOWEVER, WERE NOT BETWEEN COUNTRIES, BUT BETWEEN THE PERCENTAGE OF GNP WHICH EACH COUNTRY IN TURN DEVOTED TO DEFENCE IN 1968, 1973 AND 1978 (FORECAST).

IT WOULD, I THINK HAVE BEEN IMPOSSIBLE TO MAKE A MORE ELABORATE ECONOMIC ANALYSIS OF EACH COUNTRY'S DEFENCE EFFORT WITHOUT DOUBLING OR TRIPLING THE LENGTH OF THE PRESENTATION. THE ASSISTANT SECRETARY GENERAL CONCENTRATED ON THESE PARTICULAR STATISTICS BECAUSE THEY ARE SIMPLE, APPLICABLE TO ALL COUNTRIES AND ARE READILY AVAILABLE IN UP-TO-DATE FORM. MOREOVER, THE PERCENTAGE OF GNP DEVOTED TO DEFENCE IS THE YARDSTICK WHICH MINISTERS THEMSELVES CHOSE IN FRAMING THE GUIDANCE FROM WHICH THE FORCE GOALS WERE DERIVED.

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PAGE 01 NATO 04281 02 OF 02 071533Z

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UNCLAS SECTION 2 OF 2 USNATO 4281

IN THE CASE OF YOUR OWN COUNTRY YOU WILL REMEMBER THAT THE PRESENTATION SPECIFICALLY GAVE CREDIT FOR THE FACT THAT THE FEDERAL REPUBLIC HAD ACCEPTED THE FORCE GOALS, AS ORIGINALLY PROPOSED BY THE ALLIED NATO COMMANDERS, IN FULL; THEY DID NOT HAVE TO BE SCALED DOWN ON GROUNDS OF COST, AS WAS THE CASE WITH MOST OTHER COUNTRIES, IN ORDER TO BRING THEM WITHIN THE AMBIT OF ECONOMIC FEASIBILITY. DURING THE

DISCUSSION WHICH FOLLOWED THE PRESENTATION I WAS DISTURBED TO HEAR SOME MINISTERS DISASSOCIATING THEMSELVES FROM COMMITMENT TO THE FORCE GOALS SO CAREFULLY EXAMINED BY THEIR STAFFS AND ACCEPTED ON THEIR BEHALF BY THEIR PERMANENT REPRESENTATIVES ONLY A FEW DAYS BEFORE. IT WAS VERY ENCOURAGING, THEREFORE, TO HEAR YOU ENDORSE THAT ACCEPTANCE UNEQUIVOCALLY IN YOUR SPEECH.

TURNING BACK TO THE WIDER ISSUE OF THE MOST APPROPRIATE ECONOMIC INDICATORS OF NATIONAL DEFENCE EFFORTS FOR COMPARATIVE PURPOSES, I WOULD REMIND YOU THAT THIS IS A SUBJECT WHICH HAS BEEN MUCH DISCUSSED OVER THE YEARS. YOUR STAFFS COULD NO DOUBT TURN UP THE RECORDS OF THESE UNCLASSIFIED

PAGE 02 NATO 04281 02 OF 02 071533Z

DISCUSSIONS IF YOU WISHED. I WOULD AGREE WITH YOU THAT IN ANY COMPARATIVE STUDY, THE DEFENCE PERCENTAGE OF GNP, TAKEN BY ITSELF, IS SOMETHING OF A BLUNT INSTRUMENT. IN ORDER TO GET A PROPER FEEL FOR THE EQUITY OF NATIONAL CONTRIBUTIONS TO THE COMMON BURDEN OF ALLIANCE DEFENCE, ONE HAS TO TAKE A WHOLE RANGE OF STATISTICS, SUCH AS THOSE MENTIONED IN YOUR LETTER; THOUGH I WOULD ALSO ADD TO THESE "PERCENTAGE OF GNP (OR AVERAGE INCOME) PER HEAD OF THE POPULATION". IN FACT, THE ECONOMIC SECTION OF THE COUNTRY CHAPTER (THE REPORT ON THE DEFENCE REVIEW CONTAINS JUST SUCH A RANGE OF STATISTICS; AS YOU WILL REMEMBER, ALL THESE INDICATORS WERE USED IN THE PRESENTATION WHICH THE ASSISTANT SECRETARY GENERAL GAVE TO MINISTERS ON THE RESULTS OF THE 1972 DEFENCE REVIEW (SEE C-R(72)60, PART I).

IN SHORT, I ENTIRELY ACCEPT YOUR ARGUMENTS THAT IN A FULL COMPARATIVE ANALYSIS OF NATIONAL DEFENCE BUDGETS ONE SHOULD USE A WHOLE RANGE OF ECONOMIC STATISTICS, AND NOT ONLY THE PERCENTAGE OF GNP DEVOTED TO DEFENCE. THE INTERNATIONAL STAFF WILL CONTINUE TO ADOPT THIS BROAD APPROACH AT SUCCESSIVE ANNUAL DEFENCE REVIEWS. I HOPE I HAVE ALSO BEEN ABLE TO CONVINCE YOU THAT THE CHOICE OF FIGURES USED IN THE PRESENTATION ON 14TH JUNE WAS GOVERNED BY THE NEED TO RELATE THE FORCE GOALS TO THE ECONOMIC CAPABILITIES OF EACH COUNTRY AND NOT IN ANY WAY TO DEVALUE THE CONTRIBUTION OF THE FEDERAL REPUBLIC TO OUR COMMON DEFENCE. AS I THINK WAS MADE CLEAR DURING THE PRESENTATION, THIS CONTRIBUTION IS ENTIRELY COMMENSURATE WITH THE ECONOMIC AND POLITICAL POSITION OF YOUR COUNTRY WITHIN THE ALLIANCE.

END TEXT.
MCAULIFFE

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